



U.S.-PANAMA TRADE PROMOTION AGREEMENT

Louisiana Farmers Will Benefit

September 2011

The U.S. agricultural sector has a great deal to gain from the pending U.S.-Panama Trade Promotion Agreement, known as the Panama TPA. The agreement will immediately eliminate duties on nearly 50 percent of current U.S. exports and gives U.S. exporters improved access to the Panamanian market for many products that have been highly protected. U.S. agricultural exports to Panama in 2010 exceeded \$450 million.

The Panama TPA agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Louisiana's agricultural products, including cotton, beef, and soybeans. Louisiana's agricultural exports to all countries, estimated at \$913 million in 2010, supported about 7,700 jobs, on and off the farm. These export sales make an important contribution to the Louisiana farm economy, which had total cash receipts of \$2.9 billion in 2010.

Soybeans and Products

- Panama's current zero-tariff treatment for soybeans and soybean meal will be locked in place immediately upon implementation of the agreement.
- The current zero-tariff treatment for crude soybean oil will also be locked in place immediately, while the 20-percent tariff on refined soybean oil will be phased out in 15 years.

Sugar and Sweeteners

- Panama's tariffs on sugar and sweetener products range from zero to 144 percent.
- Panama's tariff on high-fructose corn syrup and raw cane and refined sugar will be zero immediately, while the duties on other sugar and sweetener products will be eliminated within 15 years.
- The United States will establish a 505-ton duty-free TRQ for Panama for sugar and sugar products covered by the U.S. WTO TRQ, with the quantity growing by five tons every year.
- Provisions will ensure that Panama will only ship when it is a net surplus exporter, and provisions will allow alternative forms of compensation to be established to facilitate sugar stock management by the United States.
- The United States has also agreed to provide a 6,060-ton TRQ for raw sugar growing by 60 tons every year for 10 years and a 500-ton TRQ for specialty sugar that does not grow.
- These TRQs are also subject to the sugar compensation mechanism; however Panama does not need to be a net exporter to qualify for the raw and specialty TRQs.
- The United States will not reduce the out-of-quota duty for sugar and sugar products covered by these TRQs.

Rice

- Panama will provide immediate duty-free access within tariff-rate quotas (TRQs) for 12,190 tons of U.S. rice, including 7,950 tons of rough rice and 4,240 tons of milled rice. The TRQs will increase 6 percent annually. The 90-percent over-quota tariffs will be eliminated in 20 years.
- U.S. rice exporters will continue to have access to the global 9,711-ton TRQ for rice that is part of Panama's World Trade Organization (WTO) commitments.
- Panama has also committed to increase the size of the preferential TRQs when it has a short supply situation, as has occurred in recent years.

Corn

- Panama will provide immediate duty-free access for corn with a 298,700-ton TRQ that will grow 3 percent annually. The 40-percent over-quota tariff will be eliminated in 15 years.
- The current zero-tariff treatment for crude corn oil will be locked in place immediately. For refined corn oil, Panama will provide immediate duty-free access within a 368-ton TRQ that grows each year by 5 percent. The 30-percent over-quota tariff on refined corn oil will be phased out within 10 years.

Beef

- Panama will immediately eliminate its 30-percent duty on the products most important to the U.S. beef industry – prime and choice cuts. Panama's tariffs on other cuts of beef will be phased out over 15 years.
- The 10-percent tariff on beef tongues and livers will be eliminated in 5 years, and the 15-percent tariff on other edible offal will be eliminated immediately.
- Panama has already implemented a December 2006 bilateral agreement with the United States on sanitary/phytosanitary measures (SPS), reopening its market to U.S. beef by bringing its import requirements related to bovine spongiform encephalopathy into compliance with international standards.
- Panama also accepted the equivalence of the U.S. meat inspection system, which allows U.S. inspectors to certify beef for export to Panama without having each facility and shipment inspected by Panamanian authorities.

Cotton

- Panama's current zero-tariff treatment for cotton will be locked in place immediately upon implementation of the agreement.
- Under the Panama TPA, the United States will phase-out the WTO over-quota tariff on cotton over 15 years, with no cuts during the first five years, and will continue to provide zero-duty treatment that Panama currently receives under the Caribbean Basin Initiative (CBI) on the in-quota tariff.

| Louisiana | | |
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| Principal Agricultural Products and Exports, 2010 | | |
| Product | Cash Receipts (2010 calendar year) | Exports (2010 fiscal year) |
| Total | \$2.9 billion | \$913 million |
| Soybeans and Soybean Products | \$427 million | \$277 million |
| Sugar Cane | \$381 million | N/A |
| Rice | \$356 million | \$333 million |
| Feed Grains | \$329 million | \$76 million |
| Cattle and Beef | \$195 million | \$15 million |
| Cotton (exports include Linters) | \$166 million | \$116 million |
| | Source: USDA-NASS | Source: USDA-ERS |

For questions about the U.S.-Panama Trade Promotion Agreement and its impact on U.S. agriculture, please contact FAS Public Affairs at (202) 720-7115 or LPA@fas.usda.gov.